

# **West Central Michigan Employment and Training Consortium**

**(d/b/a "Michigan Works! West Central")**

Big Rapids, Michigan

Financial Statements and Additional Information

Year Ended June 30, 2006

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>West Central Michigan E&amp;T Consortium</b>	County <b>Mecosta</b>
Audit Date <b>6/30/06</b>	Opinion Date <b>10/19/06</b>	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

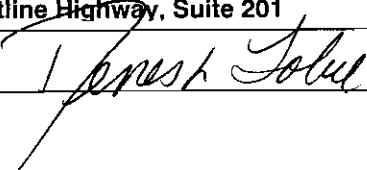
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).	✓		

Certified Public Accountant (Firm Name) <b>Wipfli LLP</b>			
Street Address <b>2901 West Beltline Highway, Suite 201</b>		City <b>Madison</b>	State <b>WI</b>
Accountant Signature 		ZIP <b>53713</b>	Date <b>11/30/06</b>

# West Central Michigan Employment and Training Consortium (d/b/a "Michigan Works! West Central")

Financial Statements and Additional Information  
Year Ended June 30, 2006

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## Independent Auditor's Report

Board of Directors  
West Central Michigan Employment and Training Consortium  
Big Rapids, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund and the aggregate remaining fund information of West Central Michigan Employment and Training Consortium (d/b/a "Michigan Works! West Central") as of and for the year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of West Central Michigan Employment and Training Consortium's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the aggregate remaining fund information of West Central Michigan Employment and Training Consortium as of June 30, 2006, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2006, on our consideration of West Central Michigan Employment and Training Consortium's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 3 through 8 and the budgetary comparison information on page 23 are not a required part of the basic financial statements but are additional information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management regarding methods of measurement and presentation of the required additional information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the West Central Michigan Employment and Training Consortium basic financial statements. The accompanying schedule of expenditures of federal awards and other financial assistance, Schedule A-1 to A-2, which includes the requirements of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

A handwritten signature in cursive script that reads "Wipfli LLP".

Wipfli LLP

October 19, 2006  
Madison, Wisconsin

# **West Central Michigan Employment and Training Consortium (d/b/a "Michigan Works! West Central")**

## **Management's Discussion and Analysis**

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### **Financial Highlights**

- West Central Michigan Employment and Training Consortium's (the "Consortium") overall financial position, as reflected in total net assets, increased by \$20,533.
- In governmental funds, the total fund balance increased by \$375.

A synopsis of key financial activities for the 2005/2006 fiscal year is as follows:

- The Consortium was awarded from Michigan Department of Labor and Economic Growth (MDLEG) \$59,979 in incentive funds based on achievement of Performance Standards for both Work First and WIA programs.
- In response to plant closures, Trade Act services remained high at an annual funding level of \$193,995 as compared to \$278,762 the prior year. The Consortium was also awarded, for a second consecutive year, a WIA Dislocated Worker Negotiated Adjustment Grant of \$100,000 as well as a WIA Dislocated Worker State Adjustment grant of \$350,000 to serve additional clients resulting from plant closures in our service delivery area.
- The Consortium exceeded all of the 17 WIA Performance Standards, which qualifies the Consortium to share in the incentive funds for fiscal year ended June 30, 2006.

### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the Consortium's basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. In addition, other information supplementary to the basic financial statements is provided.

#### **Government-Wide Financial Statements**

- The government-wide financial statements are the statement of net assets and the statement of activities. These statements present an aggregate view of the Consortium's finances in a manner similar to private and nonprofit sectors.
- The statement of net assets presents information on all of the Consortium's assets and liabilities, with the difference between the two being reported as net assets.
- The statement of activities presents information showing how the Consortium's net assets changed during the year.
- The government-wide financial statements are shown on pages 9 and 10 of this report.

# West Central Michigan Employment and Training Consortium (d/b/a "Michigan Works! West Central")

## Management's Discussion and Analysis

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### Fund Financial Statements

- The Consortium also produces fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities. The Consortium, like other federal, state, and local governments, uses fund accounting to demonstrate compliance with finance-related legal requirements. Fund statements generally report operations in more detail than the Consortium's government-wide statements.
- There are two fund financial statements: the balance sheet and the statement of revenue, expenditures, and changes in fund balances.
- The Consortium has only one fund - the governmental general fund. The general fund accounts for all federal, state, and local grant funded programs.

The major features of the Consortium's financial statements, including the portion of the activities reported and the type of information contained, is shown in the following table.

	<b>Government-Wide Statements</b>	<b>Fund Financial Statements Governmental</b>
Scope	Entire Government.	The programmatic and operating activities of the Consortium such as employment and training.
Required Financial Statements	Statement of net assets and statement of activities.	Balance sheet and statement of revenue, expenditures, and changes in fund balance.
Basis of Accounting and Measurement Focus	Accrual accounting and economic resources focus.	Modified accrual accounting. Current financial resources focus.
Type of Asset and Liability Information	All assets and liabilities, both financial and capital, short-term and long-term.	Generally includes assets expected to be used up and liabilities that come due during the year or soon thereafter. No capital assets or long-term liabilities included.
Type of Inflow and Outflow Information	All revenue and expenses during the year, regardless of when cash is received or paid.	Revenue for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable.

### Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to the full understanding of the data provided in the Consortium's government-wide and fund financial statements. The notes to the financial statements can be found on pages 15 through 20 of this report.

# West Central Michigan Employment and Training Consortium (d/b/a "Michigan Works! West Central")

## Management's Discussion and Analysis

### Government-Wide Financial Analysis

Net assets may serve over time as a useful indicator of a government's financial position. In the case of West Central Michigan Employment and Training Consortium, assets exceeded liabilities by \$148,697 at June 30, 2006, and \$128,164 at June 30, 2005. Table 1 below provides a summary of the Consortium's net assets for the year ended June 30, 2006 and 2005.

**Table 1**  
**Condensed Statement of Net Assets**

	<b>Governmental Activities 2006</b>	<b>Governmental Activities 2005</b>
Current and other assets	\$ 527,038	\$ 795,812
Capital assets	81,175	61,017
Total assets	608,213	856,829
Current liabilities	459,516	728,665
Total liabilities	459,516	728,665
Net assets:		
Invested in capital assets	81,175	61,017
Unrestricted	67,522	67,147
Total net assets	\$ 148,697	\$ 128,164

In governmental activities for the year ended June 30, 2006, total assets decreased by \$248,616 including a decrease in grants receivable of \$270,849. Total liabilities decreased \$269,149 primarily due to the \$272,525 decrease in accounts payable.

In governmental activities for the year ended June 30, 2005, total assets increased by \$257,573 including an increase in cash of \$18,470 and an increase in grants receivable of \$204,540. Total liabilities increased \$266,591 primarily due to the \$269,610 increase in accounts payable.



# West Central Michigan Employment and Training Consortium (d/b/a "Michigan Works! West Central")

## Management's Discussion and Analysis

### Change in Net Assets

Table 2 summarizes the change in net assets for the fiscal years 2006 and 2005.

**Table 2**  
**Change in Net Assets**

	2006		2005	
	Amount	Percentage of Funding	Amount	Percentage of Funding
Revenue:				
Operating grants and contributions	\$ 4,895,523	99.06%	\$ 4,976,493	99.25%
Other revenue	4,110	0.08%	1,045	0.02%
Capital grants and contributions	42,354	0.86%	36,720	0.73%
Total revenue	4,941,987	100.00%	5,014,258	100.00%
Expenses:				
Job training:				
Administration	\$ 443,465	9.01%	447,014	8.90%
Program	308,764	6.27%	281,254	5.60%
Direct administration	123,623	2.51%	235,038	4.68%
Direct client program	1,037,321	21.08%	1,066,705	21.24%
Direct client participant	255,353	5.19%	514,664	10.25%
Supportive services	333,520	6.78%	237,130	4.72%
WIA services	2,323,741	47.22%	2,099,463	41.79%
Depreciation-unallocated	22,196	0.45%	25,691	0.51%
Other	73,471	1.49%	116,317	2.32%
Total expenses	4,921,454	100.00%	5,023,276	100.00%
Changes in net assets	20,533		( 9,018)	
Net assets - beginning of year	128,164		137,182	
Net assets - end of year	\$ 148,697		\$ 128,164	

As shown, program revenue in the form of grants and contributions provides about 99.14% and 99.27%, respectively, of the funds for governmental activities, which are expended primarily on core services, intensive services, and direct training. Operating grant revenue for 2006 was \$77,905 or 1.56% less than 2005. Operating grant revenue for 2005 was \$732,754 or 12.75% less than 2004.

# West Central Michigan Employment and Training Consortium (d/b/a "Michigan Works! West Central")

## Management's Discussion and Analysis

### Governmental Funds

The Consortium completed the fiscal year June 30, 2006, with a total governmental fund balance of \$67,522, \$375 more than last year's ending fund balance of \$67,147.

### Capital Assets

At the end of the 2006 fiscal year, the Consortium had invested a cumulative of \$276,374 in capital assets, including vehicles and equipment (see Table 3). Supplementary information about capital assets can be found in Note 4, page 19. The Consortium recognized depreciation expense of \$22,196 for governmental activities. Total accumulated depreciation on these assets was \$195,199.

**Table 3**  
**Capital Assets**

	2006	2005	% Change
Equipment	\$ 160,802	\$ 178,782	-10.06%
Vehicles and signs	115,572	94,958	21.71%
Accumulated depreciation	( 195,199)	( 212,723)	-8.24%
Totals	\$ 81,175	\$ 61,017	

### Factors Bearing on West Central Michigan Employment and Training Consortium's Future

There are a variety of factors concerning the Consortium's future in the next one- to three-year period.

- Increased employer and customer services are being planned. These include:
  1. An expansion of job retention using an integrated partnership strategy Business Enhanced Solutions & Training (BEST) that includes economic development, education, and Michigan Works!.
  2. Increased intervention options, with the allocation of additional program funds to the Incumbent Worker program to assist businesses with training their current workforce to remain competitive.
  3. Increased assessment of customers using Work Keys as part of the WIRED Initiative in Newaygo County and a WIA Earmark Grant to West Shore Community College, operated in partnership with West Central!, will facilitate having these assessments available region wide.
  4. Basic skills training or remediation is likely to be available in an electronic format at area Workforce Service Centers. Changing rules for Welfare Reform require basic skills training be available to customers who are basic skills deficient. Changing outcome requirements for the Youth program will also influence this addition. The software used will be compatible with Work Keys.
  5. "Interview USA" stations are being added to each Workforce Service Center. This automated virtual video interview system is new (patent pending) and will enable employers to expedite and enhance the interview process by providing added features. We anticipate a fee schedule for the employers using this service.

# **West Central Michigan Employment and Training Consortium (d/b/a "Michigan Works! West Central")**

## **Management's Discussion and Analysis**

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### **Factors Bearing on West Central Michigan Employment and Training Consortium's Future (Continued)**

- There may be additional group layoffs and Trade Act certifications of employers. Two major area employers are reported as having difficulties that could result in plant closings and significant job loss in the area. Additional funding would almost certainly be applied for in this situation.
- Revisions to Welfare Reform programs are expected to continue as the Consortium's new Jobs, Education, and Training (JET) program is implemented in the area.
- The partnerships with Ferris State University and West Shore Community College will continue. Increased condensed programs from these partnerships are anticipated to provide more short-term training options to customers.

### **Contacting the West Central Michigan Employment and Training Consortium's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Consortium's finances and to demonstrate the Consortium's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. Paul Griffith, Executive Director, at 110 Elm Street, Big Rapids, Michigan 49307.

# West Central Michigan Employment and Training Consortium (d/b/a "Michigan Works! West Central")

## Statement of Net Assets

June 30, 2006

### Assets:

Cash	\$ 95,154
Grants receivable	368,841
Other receivables	2,801
Prepaid expenses	60,242
Capital assets, net of accumulated depreciation	81,175

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<b>TOTAL ASSETS</b>	<b>\$ 608,213</b>
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### Liabilities:

Accounts payable	\$ 416,194
Accrued payroll and related expenses	5,874
Accrued compensated absences	30,122
Unearned revenue	7,326

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Total liabilities	459,516
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### Net assets:

Invested in capital assets	81,175
Unrestricted	67,522

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Total net assets	148,697
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<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 608,213</b>
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# West Central Michigan Employment and Training Consortium (d/b/a "Michigan Works! West Central")

## Statement of Activities

Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Assets Governmental Activities
		Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:				
Job training	\$ 4,895,523	\$ 4,895,523	\$ 42,354	\$ 42,354
Total program activities	4,895,523	4,895,523	42,354	42,354
Support services:				
Corporate activities	3,735	2,429	0	( 1,306)
Depreciation	22,196	0	0	( 22,196)
Total support services	25,931	2,429	0	( 23,502)
Total governmental activities	\$ 4,921,454	\$ 4,897,952	\$ 42,354	\$ 18,852
General revenue - interest revenue				\$ 1,681
Change in net assets				20,533
Net assets - June 30, 2005				128,164
Net assets - June 30, 2006				\$ 148,697

# West Central Michigan Employment and Training Consortium (d/b/a "Michigan Works! West Central")

## Balance Sheet - Governmental Fund

June 30, 2006

### Assets:

Cash	\$ 95,154
Grants receivable	368,841
Other receivables	2,801
Prepaid expenses	60,242

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<b>TOTAL ASSETS</b>	<b>\$ 527,038</b>
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### Liabilities:

Accounts payable	\$ 416,194
Accrued payroll and related expenses	5,874
Accrued compensated absences	30,122
Unearned revenue	7,326

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Total liabilities	459,516
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Fund balance - unreserved, undesignated	67,522
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<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 527,038</b>
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# West Central Michigan Employment and Training Consortium (d/b/a "Michigan Works! West Central")

## Reconciliation of Balance Sheet - Governmental Funds to the Statement of Net Assets

June 30, 2006

Total fund balance - governmental funds		<u>\$ 67,522</u>
Total net assets reported to governmental activities in the statement of net assets are different from the amount reported above as to governmental funds balance because:		
Capital assets used in government activities are not financial resources and, therefore, are not reported in the fund statements. Amounts reported for governmental activities in the statement of net assets are:		
Governmental capital assets	276,374	
Governmental accumulated depreciation	<u>( 195,199)</u>	
		<u>81,175</u>
Total net assets - governmental activities		<u>\$ 148,697</u>

# West Central Michigan Employment and Training Consortium

## (d/b/a "Michigan Works! West Central")

### Statement of Revenue, Expenditures, and Changes in Fund Balance - All Governmental Fund Types Year Ended June 30, 2006

#### Revenue:

Federal grants	\$ 4,643,458
State grants	224,682
Interest revenue	1,681
Other revenue	72,166

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Total revenue	4,941,987
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#### Expenditures:

Personal services:	
Administration	347,993
Program	52,538
Supplies:	
Administration	15,472
Program	55,616
Other charges and services:	
Administration	122,352
Program	2,997,518
Participant/support services	1,234,296
Other	73,473
Capital outlays	42,354

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Total expenditures	4,941,612
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Excess of revenue over (under) expenditures	375
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Fund balance - June 30, 2005	67,147
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Fund balance - June 30, 2006	\$ 67,522
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# West Central Michigan Employment and Training Consortium (d/b/a "Michigan Works! West Central")

## Reconciliation of Statement of Revenue, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities Year Ended June 30, 2006

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Net change in fund balances - total governmental funds	\$ 375
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Amounts reported for governmental activities in the  
statement of activities are different because:

The acquisition of capital assets are reported in the governmental funds as  
expenditures. However, for governmental activities, those costs are shown  
in the statement of net assets and allocated over their estimated useful lives  
as annual depreciation expenses in the statement of activities.

Capital outlay reported in governmental fund statements	42,354
Depreciation expense reported in the statement of activities	( 22,196)

Amount by which capital outlays are more than depreciation in the current period	20,158
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Change in net assets - governmental activities	\$ 20,533
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# West Central Michigan Employment and Training Consortium (d/b/a "Michigan Works! West Central")

## Notes to Financial Statements

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### **Note 1            Summary of Significant Accounting Policies**

#### **Nature of Operations**

West Central Michigan Employment and Training Consortium, which is a local governmental administrative entity, was organized under the Michigan Department of Labor Instruction Letter No. 84-8 pursuant to Section 103(b)(1) of the Job Training Partnership Act, PL 97-300 of 1982, as the grant recipient and the administrative entity for the Service Delivery Area which covers the counties and cities below. The Consortium was formed to prepare youth and unskilled adults for entry into the workforce and to provide economically disadvantaged individuals and others facing barriers to employment with job training in the cities of Ludington and Big Rapids and Lake, Mason, Mecosta, Newaygo, and Osceola counties in Michigan. The Consortium is primarily supported through federal and state government grants. Approximately 97% of the total funding is federal pass-through funds received from the Michigan Department of Labor and Economic Growth.

The financial statements of the Consortium have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements in the preparation of their government-wide statements. The significant accounting principles and policies utilized by the Consortium are described below.

#### **Basis of Presentation**

##### **Government-Wide Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and statement of activities) present financial information about the Consortium's nonfiduciary activities as a whole. Governmental activities generally are financed through intergovernmental revenue and other nonexchange transactions.

The statement of activities presents the degree to which the direct expenses of a given function are offset by program revenue. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenue consists of grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue that is not classified as program revenue, including all interest income, is presented as general revenue.

The Consortium applies restricted resources first when an expense is incurred for a purpose for which both restricted and unrestricted net assets are available. Depreciation expense which can be specifically identified by function is included in the direct expenses of the function.

# West Central Michigan Employment and Training Consortium (d/b/a "Michigan Works! West Central")

## Notes to Financial Statements

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### **Note 1                      Summary of Significant Accounting Policies (Continued)**

#### **Fund Financial Statements**

The accounts of the Consortium are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained, consistent with legal and managerial requirements.

The Consortium reports the following major governmental fund:

#### **General Fund**

This is the Consortium's primary operating funds. It accounts for all financial activity, including activities associated with providing job training and other social service programs.

#### **Measurement Focus and Basis of Accounting**

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the Consortium gives or receives value without directly receiving or giving equal value in exchange, include grants, entitlements, and donations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Interest earnings on temporary investments are recognized in the fiscal period earned.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Consortium considers all revenue reported in the governmental funds to be available if the revenue is collected within 60 days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for certain compensated absences which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

# West Central Michigan Employment and Training Consortium (d/b/a "Michigan Works! West Central")

## Notes to Financial Statements

### Note 1 Summary of Significant Accounting Policies (Continued)

#### Measurement Focus and Basis of Accounting (Continued)

Unearned revenue is reported on the balance sheet when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenue also arises when resources are received by the Consortium before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability on the balance sheet is removed and revenue is recognized.

#### Capital Assets

Capital assets are reported at actual cost. Donated assets are reported at estimated fair market value at the time received. Capital assets are recorded in the government-wide financial statements but are not reported in the fund financial statements.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Equipment	\$5,000	Straight line	3
Vehicles and signs	\$5,000	Straight line	5

#### Federal and State Grant Revenue

Grants are recorded as invoiced to the funding source. Revenue is recognized in the accounting period when the related expenses are incurred. Amounts received or receivable in excess of expenses are reflected as unearned revenue.

#### Cost Allocation

Joint costs are allocated to benefiting programs using various allocation methods, depending on the type of joint cost being allocated. Whenever possible, costs are allocated directly to each program. Joint costs are those costs incurred for the common benefit of all the Consortium's programs that cannot be readily identified with a final cost objective.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

# West Central Michigan Employment and Training Consortium (d/b/a "Michigan Works! West Central")

## Notes to Financial Statements

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### **Note 1                      Summary of Significant Accounting Policies (Continued)**

#### **Income Taxes**

The Consortium is a consortium of governments organized under Michigan Public Act 7 of 1967 and is exempt from federal and Michigan income taxes.

#### **Budgetary Accounting**

An annual budget is adopted on a basis consistent with generally accepted accounting principles for the general fund. The budget document presents information by fund, activity and line items. The Consortium's Board approves the original budget at the beginning of the fiscal year. Amendments, if any, are approved periodically during the year.

#### **Vested Compensation Absences and Payable**

Using the criteria established in GASB Statement 16, a liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee should be accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the employer should be accounted for in the period those services are rendered or those events take place.

The Consortium's personnel policy states that accumulated vacation is to be used within one year of the date that it is credited to the employee; therefore, the entire balance of \$30,122 in accrued compensated absences is considered a short-term liability and has accordingly been reported on the statement of net assets of the Consortium at June 30, 2006.

### **Note 2                      Cash**

The Consortium maintains cash balances at local banks in interest-bearing and non-interest bearing accounts. The Consortium does not have a formal policy that limits its exposure to fair value losses arising from increasing interest rates. As of June 30, 2006, the bank balance was \$152,989 and the carrying amount was \$95,154. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Balances in excess of \$100,000 are not collaterally secured by the banks. Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the Consortium will not be able to recover deposits that are in the possession of an outside party. As of June 30, 2006, the Consortium did not have any custodial credit risk on its deposits. At various times during the year the Consortium's deposits may have been higher or lower than the balance as of June 30, 2006. This means that the Consortium's custodial credit risk could have been higher or lower at those times.

# West Central Michigan Employment and Training Consortium (d/b/a "Michigan Works! West Central")

## Notes to Financial Statements

### Note 3 Grants Receivable

Grants receivable at June 30, 2006, consisted of the following:

<b>Grant</b>	<b>Amount</b>
Food Assistance	\$ 1,882
State GF/GP	2,922
WIA Adult	64,904
WIA Youth	70,262
WIA Statewide Youth	303
WIA Dislocated Worker	97,185
WIA Incumbent Worker	22,096
WIA Incentive	3,942
WIA One Stop	7,217
Work First	15,560
Employment Services	47,647
Reed Act	33,950
Trade Act	971
<b>Total</b>	<b>\$ 368,841</b>

### Note 4 Capital Assets

Capital asset balances and activity for the year ended June 30, 2006, were as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Governmental activities:				
Capital assets being depreciated:				
Equipment	\$ 178,782	\$ 21,740	(\$ 39,720)	\$ 160,802
Vehicles and signs	94,958	20,614	0	115,572
<b>Total capital assets being depreciated</b>	<b>273,740</b>	<b>42,354</b>	<b>( 39,720)</b>	<b>276,374</b>
Less accumulated depreciation for:				
Equipment	( 171,378)	( 5,241)	39,720	( 136,899)
Vehicles and signs	( 41,345)	( 16,955)	0	( 58,300)
<b>Total accumulated depreciation</b>	<b>( 212,723)</b>	<b>( 22,196)</b>	<b>39,720</b>	<b>( 195,199)</b>
<b>Governmental activities capital assets, net of accumulated depreciation</b>	<b>\$ 61,017</b>	<b>\$ 20,158</b>	<b>\$ 0</b>	<b>\$ 81,175</b>

# West Central Michigan Employment and Training Consortium (d/b/a "Michigan Works! West Central")

## Notes to Financial Statements

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### **Note 5            Leases**

The Consortium has various lease rental agreements for each of the offices of the Consortium. Payments on agreements during the year ended June 30, 2006, were \$226,419. The leases are cancelable in the event of a loss of funding to the Consortium. Future minimum lease payments on leases having funding contingencies beyond June 30, 2006, are as follows:

2007	\$ 343,260
2008	341,676
2009	254,372
2010	132,168
Thereafter	229,320
Total	<u>\$ 1,300,796</u>

The Consortium subleases facilities under operating leases. The operating lease revenue for the year ended June 30, 2006, was \$116,841. Future minimum lease receipts on subleases of \$12,568 are expected for the year ended June 30, 2007.

### **Note 6            Pension Plan**

All employees of the Consortium, except leased employees and interns hired after December 16, 1986, are eligible to participate in a defined contribution money-purchase plan after completing one year of service. The Consortium contributes a percentage of covered wages to the plan. The 2005/2006 fiscal year required contributions of \$19,149, charged to the year ended June 30, 2006, are 7% of current year covered payroll. During the year, no retirees received benefits under these provisions.

### **Note 7            Risk Management**

The Consortium is exposed to various risks of loss including general liability, property damage, employee dishonesty, and workers' compensation for which the Consortium carries commercial insurance. There have not been any claims in any of the three prior years.

# Additional Information

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# West Central Michigan Employment and Training Consortium (d/b/a "Michigan Works! West Central")

## Schedule A-1

### Schedule of Expenditures of Federal Awards and Other Financial Assistance

Year Ended June 30, 2006

CFDA Number	Program Name	Grantor Agency	Total Expenditures	Subcontracted Expenditures
<b>ASSISTANCE PROGRAMS AS IDENTIFIED IN THE CATALOG OF FEDERAL DOMESTIC ASSISTANCE</b>				
<b>FEDERAL FUNDS (Pass-Through Dollars)</b>				
<b>Department of Agriculture</b>				
10.561	Food Assistance Support Services	MI Dept. of Labor & Economic Growth	\$ 51	
10.561	Food Assistance	MI Dept. of Labor & Economic Growth	57,321	
	<b>Subtotal 10.561</b>		<b>57,372</b>	<b>45,654</b>
<b>Department of Labor</b>				
17.207	Employment Services	MI Dept. of Labor & Economic Growth	<b>295,268</b>	<b>237,439</b>
17.245	Trade Act	MI Dept. of Labor & Economic Growth	<b>193,995</b>	<b>190,470</b>
17.258	WIA Adult	MI Dept. of Labor & Economic Growth	666,759	
17.258	WIA Statewide Youth - Adult	MI Dept. of Labor & Economic Growth	3,595	
17.258	WIA Statewide Performance Incentive - Adult	MI Dept. of Labor & Economic Growth	7,024	
17.258	WIA Statewide Incumbent Worker - Adult	MI Dept. of Labor & Economic Growth	28,278	
17.258	WIA Statewide Capacity Building - Adult	MI Dept. of Labor & Economic Growth	6,389	
17.258	WIA National Reserve	MI Dept. of Labor & Economic Growth	1,842	
17.258	WIA Adult Administration	MI Dept. of Labor & Economic Growth	69,602	
	<b>Subtotal 17.258</b>		<b>783,489</b>	<b>618,935</b>
17.259	WIA Youth	MI Dept. of Labor & Economic Growth	685,252	
17.259	WIA Statewide Youth - Youth	MI Dept. of Labor & Economic Growth	3,975	
17.259	WIA Statewide Performance Incentive - Youth	MI Dept. of Labor & Economic Growth	7,693	
17.259	WIA Statewide Incumbent Worker - Youth	MI Dept. of Labor & Economic Growth	31,231	
17.259	WIA Statewide Capacity Building - Youth	MI Dept. of Labor & Economic Growth	7,066	
17.259	WIA Youth Administration	MI Dept. of Labor & Economic Growth	75,740	
	<b>Subtotal 17.259</b>		<b>810,957</b>	<b>626,569</b>
17.260	WIA Dislocated Worker/NAG/SAG	MI Dept. of Labor & Economic Growth	970,072	
17.260	WIA Statewide Youth - Dislocated Worker	MI Dept. of Labor & Economic Growth	5,933	
17.260	WIA Statewide Performance Incentive - Dislocated Worker	MI Dept. of Labor & Economic Growth	10,682	
17.260	WIA Statewide Incumbent Worker - Dislocated Worker	MI Dept. of Labor & Economic Growth	46,161	
17.260	WIA Statewide Capacity Building - Dislocated Worker	MI Dept. of Labor & Economic Growth	10,546	
17.260	WIA Dislocated Worker Administration	MI Dept. of Labor & Economic Growth	132,460	
	<b>Subtotal 17.260</b>		<b>1,175,854</b>	<b>909,587</b>
	<b>Subtotal 17.258, 17.259, and 17.260 Cluster</b>		<b>2,770,300</b>	<b>2,155,091</b>
17.UNK	Reed Act/Work First	MI Dept. of Labor & Economic Growth	69,129	
17.UNK	Reed Act One Stop	MI Dept. of Labor & Economic Growth	14,119	
	<b>Subtotal 17.UNK</b>		<b>83,248</b>	<b>53,050</b>

# West Central Michigan Employment and Training Consortium (d/b/a "Michigan Works! West Central")

## Schedule A-2

### Schedule of Expenditures of Federal Awards and Other Financial Assistance

Year Ended June 30, 2006

CFDA Number	Program Name	Grantor Agency	Total Expenditures	Subcontracted Expenditures
<b>ASSISTANCE PROGRAMS AS IDENTIFIED IN THE CATALOG OF FEDERAL DOMESTIC ASSISTANCE</b> (Continued)				
<b>FEDERAL FUNDS (Pass-Through Dollars)</b> (Continued)				
<b>Department of Health and Human Services: TANF</b>				
93.558	Work First	MI Dept. of Labor & Economic Growth	1,243,275	986,636
<b>Total Federal Assistance</b>			<b>4,643,458</b>	<b>3,668,340</b>
<b>NONFEDERAL PROGRAMS</b>				
	WIA Statewide Incumbent Worker - Adult - Match	N/A	18,564	
	WIA Statewide Incumbent Worker - Youth - Match	N/A	20,531	
	WIA Statewide Incumbent Worker - Dislocated Worker - Match	N/A	30,642	
N/A	GF/GP State	MI Dept. of Labor & Economic Growth	224,682	
	<b>Subtotal Nonfederal Programs</b>		<b>294,419</b>	
<b>DISCRETIONARY ACTIVITY</b>				
	Corporate expenses		3,735	
<b>TOTALS</b>			<b>\$ 4,941,612</b>	

#### Note to Schedule of Expenditures of Federal Awards and Other Financial Assistance

This schedule includes the federal grant activity of West Central Michigan Employment and Training Consortium and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

# West Central Michigan Employment and Training Consortium (d/b/a "Michigan Works! West Central")

## Schedule B

### Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2006

	Budget Original and Final	Actual	Amount Over (Under) Budget
Revenue:			
Federal grants	\$ 4,902,755	\$ 4,643,458	(\$ 259,297)
State grants	225,000	224,682	( 318)
Interest revenue	0	1,681	1,681
Other revenue	70,000	72,166	2,166
Total revenue	5,197,755	4,941,987	( 255,768)
Expenditures:			
Personal services:			
Administration	344,094	347,993	3,899
Program	39,524	52,538	13,014
Supplies:			
Administration	12,326	15,472	3,146
Program	59,152	55,616	( 3,536)
Other charges and services:			
Administration	113,637	122,352	8,715
Program	3,188,105	2,997,518	( 190,587)
Participant/support services	1,312,775	1,234,296	( 78,479)
Other	78,142	73,473	( 4,669)
Capital outlays	50,000	42,354	( 7,646)
Total expenditures	5,197,755	4,941,612	( 256,143)
Excess of revenue over (under) expenditures	0	375	375
Fund balance - June 30, 2005	67,147	67,147	67,147
Fund balance - June 30, 2006	\$ 67,147	\$ 67,522	\$ 67,522



## **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters**

Board of Directors  
West Central Michigan Employment and Training Consortium  
Big Rapids, Michigan

We have audited the financial statements of the governmental activities and the major fund of West Central Michigan Employment and Training Consortium (d/b/a "Michigan Works! West Central") as of and for the year ended June 30, 2006, and have issued our report thereon dated October 19, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered West Central Michigan Employment and Training Consortium's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether West Central Michigan Employment and Training Consortium's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in dark ink, appearing to read "Wipfli LLP", written over a horizontal line.

Wipfli LLP

October 19, 2006  
Madison, Wisconsin



## **Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance**

Board of Directors  
West Central Michigan Employment and Training Consortium  
Big Rapids, Michigan

### **Compliance**

We have audited the compliance of West Central Michigan Employment and Training Consortium (d/b/a "Michigan Works! West Central") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. West Central Michigan Employment and Training Consortium's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of West Central Michigan Employment and Training Consortium's management. Our responsibility is to express an opinion on West Central Michigan Employment and Training Consortium's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about West Central Michigan Employment and Training Consortium's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on West Central Michigan Employment and Training Consortium's compliance with those requirements.

In our opinion, West Central Michigan Employment and Training Consortium complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

### **Internal Control Over Compliance**

The management of West Central Michigan Employment and Training Consortium is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered West Central Michigan Employment and Training Consortium's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Wipfli LLP

October 19, 2006  
Madison, Wisconsin

# West Central Michigan Employment and Training Consortium (d/b/a "Michigan Works! West Central")

## Schedule of Findings and Questioned Costs

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### A. Summary of Auditor's Results

1. The auditor's report expresses an unqualified opinion on the financial statements of West Central Michigan Employment and Training Consortium.
2. No reportable conditions relating to the audit of the financial statements is reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters.
3. No instance of noncompliance material to the financial statements of West Central Michigan Employment and Training Consortium were disclosed during the audit.
4. No reportable conditions were disclosed during the audit of the major federal award programs as reported in the Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance.
5. The auditor's report on compliance for the major federal award program for West Central Michigan Employment and Training Consortium expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award programs for West Central Michigan Employment and Training Consortium.
7. The programs tested as major programs were the Workforce Investment Act Cluster of CFDA #17.258, #17.259, and #17.260 and Work First CFDA #93.558.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. West Central Michigan Employment and Training Consortium was determined to be a low-risk auditee.

### B. Findings – Financial Statements Audit

None

### C. Findings and Questioned Costs – Major Federal Award Programs Audit

Questioned Costs: None

Findings: None